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ASSISTANT WHIP AT LARGE

COMMITTEE ON FINANCIAL SERVICES

COMMITTEE ON TRANSPORTATION  
AND INFRASTRUCTURE

BUILDING A BETTER AMERICA CAUCUS,  
CHAIRMAN



UNITED STATES  
HOUSE OF REPRESENTATIVES

March 10, 2009

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The Honorable Mary L. Schapiro  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Chairman Schapiro:

As a member of the House Financial Services Committee, I would like to congratulate you on your new position as Chairman of the Securities and Exchange Commission (SEC). I look forward to working with you to strengthen our national securities markets and to promote the well being of the U.S. financial sector. It is with these principles in mind that I write to you today to request that you take all necessary and immediate action to address ongoing issues with the fair value accounting standard and its application.

During consideration of the Emergency Economic Stabilization Act (EESA), many Members of Congress raised serious concerns that accounting standards and their application contributed, in part, to the recent instability in our financial markets. As a result of these concerns, a provision was included in the EESA that required the SEC to conduct a study, in consultation with the Federal Reserve and Treasury, on the impact that mark-to-market has had on our financial markets and report its findings to Congress.

As you are aware, in late December, the SEC issued the congressionally mandated report and declared that the current accounting standards lacked sufficient guidance for auditors and investors when valuing certain financial assets. However, despite this report and previous efforts, I believe accounting policymakers have yet to take the necessary steps to address the issues raised and to improve the fair value accounting standard and its application in all market conditions.

On February 11, 2009, during consideration of the oversight plan of the Committee on Financial Services for the 111<sup>th</sup> Congress, members unanimously approved an amendment I offered to strengthen the Committee's oversight on mark-to-market accounting. Under the adopted plan, the Committee will review the SEC report and ensure that accounting policymakers take additional steps to revisit and address the mark-to-market issues raised in the report. These concerns are consistent with the SEC findings on the need to make improvements when determining the value of assets in inactive markets.

The Committee will also consider whether viable alternatives exist to pricing distressed assets in an inactive market. The Committee intends to examine all potential options, including (1) offering clearer and more specific guidance, (2) new and additional changes to the current standard, and (3) exploring alternatives, such as allowing firms to separate "credit" and "liquidity" risk in the estimation of the fair values of assets.

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With regard to the last item, as you know, the SEC report found that within the current reporting requirements, "investors are often not provided sufficient information to fully assess whether declines in value (of an asset) are related to changes in liquidity or whether declines relate to probable credit losses." I strongly support efforts to ensure that investors have an accurate reflection of assets and the overall financial condition of companies. However, I agree that the recent non-functioning and illiquid markets have revealed a flaw in the application of the current standard. This market reality requires a re-examination by all policymakers, as is highlighted in the unanimously approved amendment in the Committee on Financial Services.

Accordingly, I strongly encourage accounting policymakers to make much needed and important improvements in the current fair value accounting standard in order to ensure the true fair value of assets in all markets and to assist in our economic recovery. I appreciate your prompt consideration and look forward to working with you during the 111<sup>th</sup> Congress to address these critical issues.

Sincerely,

A handwritten signature in black ink, reading "Gary G. Miller". The signature is fluid and cursive, with the first name "Gary" and last name "Miller" clearly distinguishable.

GARY G. MILLER  
Member of Congress